

Functional Series 600: Budget and Finance
ADS Chapter 629– Accounting for USAID Owned Property

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ADS 534, Personal Property Management Overseas

ADS 535, Real Property Management

Statement of Federal Financial Accounting Standards (SFFAS) 3 -
Accounting for Inventory and Related Property

SFFAS No. No. 6 - Accounting for Property, Plant and Equipment

SFFAS No. 10 - Accounting for Internal Use Software

Functional Series 600: Budget and Finance
ADS Chapter 629– ACCOUNTING FOR USAID OWNED PROPERTY

629.1 Authority

1. [Statement of Federal Financial Accounting Standards \(SFFAS\) No. 6 - Accounting for Property, Plant and Equipment](#)
2. [SFFAS No. 3 - Accounting for Inventory and Related Property](#)
3. [SFFAS No. 10 - Accounting for Internal Use Software \(Effective 10/1/2000\)](#)

629.2 Objective

This ADS chapter provides accounting policies and procedures for USAID owned property, plant, and equipment (PP&E) and USAID owned operating materials and supplies.

629.3 Responsibility

1. The Bureau for Management, Office of Financial Management, Central Accounts and Reporting Division (M/FM/CAR) is responsible for maintaining the general ledger accounts for capitalized property and operating materials and supplies. Annually, M/FM/CAR will issue a data call to the appropriate offices requesting information on capitalized property and operating material and supplies.
2. The Bureau for Management, Office of Administrative Services, Overseas Management Support Division (M/AS/OMS) is responsible for providing data on capitalized motor vehicles to M/FM/CAR for accounting purposes and financial statement preparation.
3. The Mission Executive Officer or other designated USAID officer is responsible for the following:
 - a) Providing information on capitalized overseas property (nonexpendable property, information technology property, and real property), excluding capitalized motor vehicles, to the Mission Controller who will submit the capitalized report to M/FM/CAR.
 - b) Furnishing information required for the data call on operating materials and supplies that meet the reporting threshold. **(See [629.5.4](#))**
 - c) Furnishing information to the Mission Controller on costs applicable to construction work in progress.

4. The Bureau for Management, Office of Administrative Services, Consolidation, Property and Service Division (M/AS/CPD) is responsible for providing data on capitalized USAID domestic personal and real property (excluding information technology property) to M/FM/CAR for accounting purposes and financial statement preparation.

5. The Bureau for Management, Office of Information Resources Management (M/IRM) is responsible for providing data on capitalized USAID domestic information technology property to M/FM/CAR for accounting purposes and financial statement preparation.

6. The Bureau for Humanitarian Response, Office of U.S. Foreign Disaster Assistance (BHR/OFDA) is responsible for the management of all disaster assistance acquired operating materials and supplies. BHR/OFDA provides annual reporting of capitalized asset data to M/FM/CAR for accounting purposes and financial statement preparation.

7. The Bureau for Global Programs, Field Support and Research, Center for Population, Health and Nutrition, Office of Population (G/PHN/POP) is responsible for the management of all population related operating material and supplies and for providing data to the Chief Financial Officer (CFO) for accounting purposes and financial statement preparation.

8. Cognizant Technical Officers (CTOs) are responsible for the following:

- a) Obtaining the Annual Report of Government Property in Contractor's Custody from contractors holding USAID owned capitalized PP&E,
- b) Reviewing the report for accuracy, and
- c) Forwarding the report to M/FM/CAR.

9. The Mission Controller is responsible for ensuring that adequate financial controls are in place and financial records and reports accurately reflect the status of Mission PP&E in accordance with these policies. S/he is responsible for responding to M/FM/CAR's call for data on capitalized property and operating material and supplies. The Mission Controller will maintain close liaison with property management and other personnel concerned with property to provide assurance that values reported are accurate. The Mission Controller's participation in the annual FMFIA

review of internal controls over property is a reasonable option to carry out your responsibilities in this area.

629.4 Definitions (See Glossary [Word](#) | [PDF](#) | [HTML](#))

assets
book value
capitalize
capital leases
depreciation
fair value
first-in, first-out (FIFO)
historical cost
information technology property
internal use software
land rights
latest acquisition cost
leasehold improvements
moving average
non-expendable property
operating materials and supplies
personal property
property, plant, and equipment (PP&E)
real property
recognize
replacement property
standard cost
useful life
weighted average

629.5 POLICY

The statements contained within the .5 section of this ADS chapter are the official Agency policies and corresponding essential procedures.

629.5.1 GENERAL

The Statements of Federal Financial Accounting Standards (SFFAS) were used in developing these policies and procedures. When accounting treatment for specific circumstances or areas is not discussed in this chapter, refer to SFFAS Number 3, Accounting for Inventory and Related Property; SFFAS Number 6, Accounting for Property, Plant and Equipment; and SFFAS Number 10 Accounting for Internal Use Software as appropriate for guidance. (See **Mandatory References** [SFFAS Number 3](#), [SFFAS Number 6](#), and [SFFAS Number 10](#))

629.5.2 PROPERTY, PLANT, AND EQUIPMENT (PP&E)

General Classification of PP&E. PP&E are tangible assets, including land, land rights, capital leases, and property owned by USAID in the hands of others, that

- a) Have an estimated useful life of two or more years,
- b) Are not intended for sale in the ordinary course of business, and
- c) Are intended to be used or available for use by us.

All of our PP&E are categorized as "general PP&E" as defined in SFFAS No. 6 for recognition and measurement principles and disclosure requirements. (See **Mandatory Reference**, [SFFAS No. 6 paragraph 26](#))

Capitalization Threshold. USAID will capitalize individual items of PP&E that have a unit acquisition cost of \$25,000 or more and an estimated useful life of two years or more. The dollar thresholds for physical accountability differ from the above criteria, which are for financial accountability.

Financial Versus Physical Accountability. PP&E is accounted for in USAID's accounting system and controlled in property accountability systems or records. Our financial management system utilizes information in property management systems designed and managed by various organizations. Financial records will not duplicate the detailed property records maintained by the responsible property offices. The reporting from property management systems must utilize data elements and standardized formats that support the financial management system and the general ledger structure. These property accountability systems serve as subsidiary ledgers for recording property, plant, and equipment. For internal control purposes, M/FM/CAR will reconcile capitalized property balances in the financial accounts annually with the detailed property records. Details of our overseas personal property accountability system and real property accountability system are contained in ADS 534, Personal Property Management Overseas and ADS 535, Real Property Management. (See [ADS 534](#) and [ADS 535](#))

Valuation and Recording of PP&E. All PP&E assets are to be recorded at cost at least annually in accounting records. The recorded cost will include all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. (See **Mandatory Reference** [SFFAS No. 6, Paragraph 26](#) for examples of PP&E costs.) For assets that are

constructed, the capitalized value includes all costs incurred to place the asset in service.

Depreciation. Accounting transactions affecting USAID-owned PP&E that meet the capitalization criteria, whether held by contractors or USAID, must be recorded in USAID's general ledger asset accounts. In accordance with SFFAS Number 6 and OMB directives on the "Form and Content of Agency Financial Statements," USAID's records and financial statements will reflect depreciation on our capitalized assets. Information will be collected from overseas Missions, Washington Offices, and contractors and analyzed to calculate depreciation, using a straight-line method of depreciation. Depreciation expense is recognized on all capitalized PP&E except land. M/FM/CAR will collect the following information on capitalized assets from the responsible offices in order to calculate depreciation:

- A brief description of the asset, including serial number
- Cost of the asset
- Date of acquisition
- Age of the asset (if purchased used)
- Estimated useful life of the asset (This figure can be based on Internal Revenue Service (IRS) guidelines for depreciation adjusted as required to reflect operating conditions.)
- Estimated salvage value of the asset

Capitalization of Improvements. (See [E629.5.6 - Improvements to Software paragraph.](#)) When material costs are incurred to improve an existing asset, the Executive Officer or accountable property officer must determine whether the costs are recorded as an expense or added to the basis of the asset and capitalized. Material costs for the purposes of capitalization are amounts equal to or greater than \$25,000. Improvements will be capitalized, provided the improvement results in one or more of the following conditions:

- The improvement extends the useful life of the assets by at least 3 years or by 25 percent of the original life, whichever is greater.
- The improvement increases the fair value of the asset by at least 25 percent.

- The improvement provides some other benefit that the Executive Officer or accountable property officer determine to be sufficient justification to capitalize the amount.

Depreciation of Capital Improvements. If the material cost improvement extends the useful life of the asset, the new book value is depreciated by the same method previously used over the remainder of the new life. If the material cost improvement does not change the remaining useful life, the new book value is depreciated by the same method as previously employed.

Leasehold Improvements to Property of Others. Leasehold improvements that equal or exceed \$25,000 must be capitalized and depreciated over the life of the improvement or the life of the lease, whichever is less. In general, the Government may not make permanent improvements to non-Government-owned land. The basic premise for exceptions to the policy against permanent improvements to private property is whether our interests in the overall project are adequately protected with respect to such improvements. In making such a determination, the following general criteria must be addressed in order to allow the use of our funds for such improvements:

- a) The expenses of the improvements are nominal in comparison with the total price of the contract,
- b) The improvements are incident to and essential for the accomplishment of the authorized purpose of the appropriation, and
- c) Improvements are used for our principal benefit (46 Comp. Gen. 26, 27, (1966); 42 Comp. Gen. 480 (1953)).

Transfer of PP&E. If an asset is transferred to USAID by another federal agency, the cost of the asset must be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation. If the receiving entity cannot reasonably ascertain those amounts, the cost of the PP&E must be its fair value at the time transferred.

Exchange of PP&E. The cost of general PP&E acquired through exchange will be the fair value of the PP&E surrendered at the time of exchange. (Exchanges between Federal entities will be accounted for as transfers.) If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost must be the fair value of PP&E acquired. If neither fair value is determinable, the cost of the PP&E acquired must be the cost recorded for the PP&E surrendered

net of any accumulated depreciation. Any difference between the net-recorded amount of the PP&E surrendered and the cost of the PP&E acquired will be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of general PP&E acquired must be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.

Valuation of Capital Leases. The cost of PP&E acquired under a capital lease will be the lower of the net present value of the lease payments plus the option price or the fair value of the asset. Net present value of the lease payments plus the option price must be computed using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt. **(See Mandatory Reference [Monthly Statement of the Public Debt](#), Summary Page for this interest rate.)**

Borrowed or Loaned Equipment. Capitalized equipment borrowed from other organizations is not recorded in our financial records; capitalized equipment on loan to other organizations is retained in our financial records.

PP&E Procured by Grantees. PP&E purchased by grant recipients will not be recognized in the accounting records since these items are not owned by USAID.

E629.5.2 Property, Plant, and Equipment (PP&E)

Real Property. M/FM/CAR will record in USAID's general ledger accounts real property acquisitions, additions, improvements, alterations, rehabilitations, or replacements that meet the capitalization criteria threshold of \$25,000 or more and with a useful life of 2 years or more. Accounting records will not duplicate the detailed property records maintained by M/AS/OMS that are primarily based on Mission reporting. M/FM/CAR will maintain the general ledger accounts for real property at a summary level for Land; Structures, Facilities, & Leasehold Improvements; Construction in Progress; and Assets Under Capital Lease to simplify reconciliation with amounts recorded in detailed property records.

Personal Property. M/FM/CAR will maintain the general ledger accounts for personal property at a summary level for Furniture & Fixtures, Equipment, Vehicles, Contractor-Held Property, and Information Technology Assets to provide information that will help assess the efficiency and effectiveness of asset management. Financial records will not duplicate the detailed property records maintained by the cognizant property offices.

Construction Work In Progress. The Executive Officer is responsible for furnishing information to identify costs applicable to construction work in progress. The Executive Officer and the Controller must be in agreement at the start of work as to the nature of the work and its proper accounting treatment. Costs of repairs and maintenance are expensed and not included in work in progress, while costs of items to be capitalized in accordance with our policy are accumulated in work in progress until the asset is completed. This analysis must extend to individual tasks under the contract where necessary, since some work may be of a capital nature and other work may not.

Capital Leases. USAID will capitalize PP&E under a lease where the terms of the agreement are essentially equivalent to an installment purchase of PP&E and which meets the policy criteria in the ADS. Historically, this category of assets has come about through leasing real property abroad with an option to purchase. The option price at which we have the right to purchase the real property makes exercise of the option almost certain.

Capital Lease Valuation. To value a Capital Lease for accounting purposes, you must compute the present value of the lease payments plus the option price and compare that amount to the fair value of the property at the time the lease is executed. You must use the Treasury Average Interest Rate for Marketable Interest-Bearing Debt in your present value calculations. **(See Mandatory Reference [Monthly Statement Of The Public Debt](#), Summary Page for this interest rate.)** The lower of the two figures will be the amount recorded in the financial records. Fair value should be established using the best method available in the country (cost/benefit should be a factor in getting to fair value) including preferably the use of a bona-fide real estate appraiser. Land, which is not subject to depreciation, must be estimated separately from the value of the building at the time fair value is developed.

Reporting. In September of each year, M/FM/CAR will send an Excel spreadsheet to all offices that have to report on PP&E. All capitalized property acquired during the fiscal year or disposed of during the fiscal year will be included in the report as well as Operating Materials and Supplies. PP&E that no longer provides service in our operations must also be identified since special accounting treatment has to be observed in accordance with 629.5.4. **(See [629.5.4](#))** Reporting offices must ensure that all capitalized property is accurately reported and the information returned to M/FM/CAR within the reporting deadline.

Reconciliation of Records. After posting the additions and deletions to the various PP&E accounts reported by the cognizant property offices, M/FM/CAR will reconcile the amounts recorded in the general ledger and

the cognizant property office figures. Any discrepancies will be researched and appropriate action taken to adjust the records before the audited financial statement is prepared.

629.5.3 USAID PROPERTY IN THE CUSTODY OF CONTRACTORS

General. In accordance with the Federal Acquisition Regulations (FAR) Subpart 45.105, contractors' records are the official PP&E records of government property in their hands. The Annual Report of Government Property in Contractor's Custody is the official document for contractor reporting of USAID PP&E in their possession. USAID's financial records and statement account balances are updated based upon the annual report.

Property Accounting Systems for Contractors. USAID does not prescribe a specific system of property accounting for contractors. However, any system employed by a contractor requires written approval by the cognizant property administrator. This process assures adequate contractor control, accuracy, and consistency in reported information. CFO financial personnel can assist as required in assessing the contractor's property accounting system.

Identification of Contractors with Capitalized Equipment. The contracting officer at the time of contract execution or extension should determine whether the particular contractor is likely to purchase property with contract funds having a unit value equal to or in excess of \$25,000 and a useful life equal to or in excess of 2 years. Based upon this determination, the cognizant technical officer (CTO) is responsible for ensuring that the Annual Report of Government Property in Contractor's custody is submitted on time by contractors holding capitalized PP&E and that the reports are materially accurate. The CTO must furnish copies of contractor reports with capitalized property to the CFO or to the Mission Controller.

E629.5.3 USAID Property in the Custody of Contractors

Title to Property. When property is acquired by a contractor for use overseas and the contract funds were obligated under a Strategic Objective Agreement or Project Agreement, title to all non-expendable property is normally vested in the Cooperating Government. The terms of the contract will clearly identify where title to any property acquired under the contract is vested. The CTO must exercise care to ensure that only those Annual Reports of Government Property in Contractor's Custody that contain USAID owned property, as opposed to Cooperating Country property, are forwarded to the CFO or to the Mission Controller.

Reporting by Contractors. The reporting clause in USAID's contracts on U.S. Government property held by our contractors was developed prior to establishment of the capitalization threshold at \$25,000. In addition, the prescribed report does not provide sufficient information for capitalized property to be separated from all other accountable property and for depreciation to be calculated. Until this clause is amended for all existing and future contracts requiring, among other things, a complete listing of all property meeting our capitalized guidelines and including description, serial number (if applicable), acquisition cost, date of acquisition, estimated life span, and estimated salvage value, the CTO must request the existing report.

Posting the Value of Contractor Held Property to the General Ledger. Since the Annual Report of Government Property in Contractor's Custody will report data as of the end of the contract year and is not due from contractors until 30 days after the end of the contract year, M/FM/CAR will have to update the general ledger balances in some cases in the succeeding fiscal year.

629.5.4 USAID OWNED OPERATING MATERIALS AND SUPPLIES

Classification of Operating Materials and Supplies. Operating materials and supplies consist of tangible personal property to be consumed in normal operations of the Agency. USAID's financial records show these values as (1) operating materials and supplies held for use, (2) operating materials and supplies held in reserve for future use, or (3) excess, obsolete, and unserviceable operating materials and supplies.

Valuation of Operating Materials and Supplies. Operating materials and supplies must be recognized and reported as assets when produced or purchased. They are reported as an operating expense in the period they are issued to an end user for consumption in normal operations. Operating materials and supplies must be valued on the basis of historical cost or any other valuation method whose results reasonably approximate historical cost. Examples of valuation methods that approximate historical cost and that are acceptable to the CFO are first-in, first-out (FIFO); weighted average; moving average; standard cost; and latest acquisition cost. Any valuation method other than those listed above must have the concurrence of the CFO before it may be used.

Reporting Threshold. If (1) operating materials and supplies are not significant amounts, (2) they are in the hands of the end user for use in normal operations, or (3) it is not cost-beneficial to apply the consumption method of accounting, then the operating materials and supplies will be expensed when purchased and will not be reported in the financial records or statements as an asset. USAID's policy is that operating

materials and supplies at any one geographical location that do not equal or exceed \$25,000 are insignificant in amount and will not be considered as a reportable asset of the Agency.

Operating Materials and Supplies Held in Reserve for Future Use.

USAID has significant operating materials and supplies for foreign disaster assistance and for population planning purposes held in reserve for future use. M/FM must disclose in the annual financial statement the criteria considered by program management for holding operating materials and supplies in reserve for future use. Examples of factors to be considered in developing the criteria are (1) all relevant costs associated with holding these items (including the storage and handling costs); (2) the expected replacement cost when needed; (3) the time required to replenish operating materials and supplies; (4) the potential for deterioration or pilferage; and (5) the likelihood that a supply of the item will be available in the future.

Physical Inventory of Operating Materials and Supplies. The value of operating materials and supplies accounts must be confirmed periodically through a physical inventory. Mission physical inventories of operating materials and supplies are covered under ADS 535. (See [ADS 535](#)) The program managers for OFDA and the Office of Population are responsible for determining the frequency and nature of the physical inventory necessary to ensure that accurate inventory accounts are maintained and that the inventory is physically safeguarded.

E629.5.4 USAID Owned Operating Materials and Supplies

M/FM/CAR will send a data call in September of each year to the appropriate Washington and field offices, requesting the value of USAID Owned Operating Material and Supplies as of September 30. Negative reports are required from those geographic locations where the value is less than \$25,000.

629.5.5 DISPOSAL OF CAPITALIZED PP&E

PP&E must be removed from general PP&E accounts along with associated accumulated depreciation/amortization when the asset is disposed of. If prior to disposal, retirement, or removal from service, any capitalized PP&E no longer provides service in our operations, the value of such property along with accumulated depreciation must be removed from the general ledger accounts. PP&E may no longer provide service either because it suffered damage, became obsolete in advance of expectations, or was identified as excess.

Any difference in the book value of the PP&E and its expected net realizable value must be recognized as a gain or a loss in the period of adjustment. The expected net realizable value must be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss. However, no additional depreciation/amortization will be taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

E629.5.5 Disposal of Capitalized PP&E - N/A

629.5.6 INTERNAL USE SOFTWARE

After September 30, 2000, USAID will capitalize the cost of internal use software whether it is commercial off-the-shelf (COTS), contractor-developed, or internally developed when such software has a useful life of 2 years or more and the cost equals or exceeds the capitalization threshold policy that will be developed prior to October 1, 2000. Such software serves the same purposes as other general PP&E and functions as a long-lived operating asset. M/FM/CAR will amortize the cost of such software in a systematic and rational manner over the estimated useful life of the software.

The principal user or owner of the system under development will develop the estimated useful life used for amortization and track and accumulate costs that must be capitalized in accordance with the guidance in the ADS. The useful life must be consistent with that used for planning the software's acquisition, if purchased.

E629.5.6 Internal Use Software

Internally Developed Software. For internally developed software, USAID will capitalize the full cost (direct and indirect cost) incurred during the software development stage. The principal user or owner of the system in coordination with M/IRM will accumulate such costs incurred after

- a) They authorize and commit to a computer software project and believe that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of two years or more; and
- b) The completion of conceptual formulation, design, and testing of possible software project alternatives (the preliminary design stage).

Such costs include those for new software (e.g., salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies) and documentation manuals.

Capitalized Cost COTS and Contractor-Developed Software. For COTS software, USAID will capitalize the amount paid to the vendor for the software. For contractor-developed software, USAID will capitalize the amount paid to a contractor to design, program, install, and implement the software. Material internal cost incurred by USAID to implement and make ready for use the COTS or contractor-developed software will be capitalized.

Data Conversion Costs. USAID will expense as incurred all data conversion costs for internally developed, contractor-developed, or COTS software, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such cost may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new/additional data.

Improvements to Software. Enhancements or improvements to existing software will not be capitalized except in those instances where significant new capabilities are being added to the software. Merely making the software more efficient and/or extending its service life will not constitute a capitalizable cost.

Cutoff for Capitalization. USAID will expense costs incurred after final acceptance testing has been successfully completed. Where the software is to be installed at multiple sites, we will stop capitalization at each site after testing is complete at that site.

629.5.7 DEPOSITING PROCEEDS FROM REPLACEMENT AND REAL PROPERTY SALES

Replacement property encompasses practically all property that USAID purchases and is normally disposed of by sealed bid sale or public auction so that the proceeds may be used for the purchase of similar property. USAID has replacement property accounts established with the U.S. Treasury and the proceeds of sale of replacement property are credited to these accounts.

- a) Exceptions. Project funded property titled in the host country is usually not sold or disposed of by the Mission. The agreement titling the property in the host country ordinarily provides specific disposal instructions and such provisions must be observed. If project funded property with the title vested in USAID

is sold, the proceeds of the sale must be deposited back to the respective appropriation used for the procurement. Trust funded property that is sold will have the proceeds deposited back to the trust fund unless there are other instructions from the host country.

b) Real Property. Real Property proceeds (other than project funded or trust funded real property) will be deposited as follows:

1. Dollar proceeds will be deposited to 72X4175, Property Management Fund.
2. Local currency proceeds will be deposited to the United States Disbursing Officer's (USDO) local bank account and the dollar equivalent amount will be credited to 72X4175 after checking with the USDO to ensure that the local currency proceeds can be used in a reasonable time. Where the amount of the local currency proceeds from the sale cannot be used in a reasonable time, the USDO will provide guidance on how the deposit is to be handled. The speed with which local currency proceeds can be converted to dollars should be factored into the decision on selling the property.

c) Non-Expendable Replacement Property. Non-Expendable Replacement Property proceeds (other than project funded or trust funded) will be deposited as follows:

1. Dollar proceeds will be deposited to 72F3845, Proceeds of Sale, Personal Property.
2. Local currency proceeds will be deposited to the United States Disbursing Officer's (USDO) local bank account and the dollar equivalent amount will be credited to 72F3845.

E629.5.7 Depositing Proceeds from Replacement and Real Property Sales

Reporting. The Executive Officer will prepare a separate OF-132 Property Disposal and Survey Reports (PDA), for the disposal of property acquired with operating expense funds, funds made available to the Inspector General (IG), credit administrative expense appropriations, or from program appropriations. The Mission Controller is required to report each year to M/FM/CAR, with a courtesy copy to M/AS/OMS, all dollar credits made to 72X4175 and 72F3845 including the breakout of any sale proceeds of IG, credit administrative expense appropriations, and

program appropriations. Copies of the OF-132 and any copies of the contract of sale must be furnished with the year end reports.

629.6 Supplementary Reference - N/A

629.7 Mandatory References

ADS 534, Personal Property Management Overseas

ADS 535, Real Property Management

Monthly Statement of the Public Debt, Summary Page (To access this reference, visit <http://www.usaid.gov/cgi-bin/goodbye?http://www.publicdebt.treas.gov/opd/opd.htm>.)

[Statement of Federal Financial Accounting Standards \(SFFAS\) No. 3 - Accounting for Inventory and Related Property](#)

[SFFAS No. 6 - Accounting for Property, Plant and Equipment](#)

[SFFAS No. 10 - Accounting for Internal Use Software \(Effective 10/1/2000\)](#)

DEFINITIONS

assets

Tangible or intangible items owned by USAID that would have probable economic benefits that can be obtained or controlled by a USAID entity. (SFFAS 6) (Chapter 629)

book value

The net amount at which an asset or liability is carried on the books of account (also referred to as carrying value or amount). It equals the gross or nominal amount of an asset or liability minus an allowance or valuation amount. (SFFAS 6) (Chapter 629)

capitalize

To record and carry forward into one or more future periods any expenditure from which the benefits or process will then be realized. (SFFAS 6) (Chapter 629)

capital leases

Capital Leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. If, at its inception, a lease transfers ownership of the property to the lessee at the end of the lease term or contains an option to purchase the leased property at a bargain, the lease should be classified as a capital lease. (SFFAS 6) (Chapter 629)

depreciation

Depreciation is the systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life. (SFFAS 6) (Chapter 629)

fair value

Fair value is the price for which an asset could be bought or sold in an arm's-length transaction between unrelated parties (e.g., between a willing buyer and a willing seller) or the price (usually representative) at which bona fide sales have been consummated for products of like kind, quality, and quantity in a particular market at any moment of time. (SFFAS 6) (Chapter 629)

first-in, first-out (FIFO)

A cost flow assumption; the first goods purchased or produced are assumed to be the first goods sold. (SFFAS 3) (Chapter 629)

historical cost

Historical cost is the cash equivalent price of operating materials and supplies and property, plant, and equipment (PP&E) including all appropriate purchase and production costs to bring the items to their original condition and location, at the date of acquisition. This cost does not change over time. (Chapter 629)

information technology property

Any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. It includes, but is not limited to "computers, ancillary equipment, software, firmware, and similar procedures, services (including support services) and related resources." (Chapter 629)

internal use software

Software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet USAID's internal or operational needs. (Chapter 629)

land rights

Land rights are interests and privileges held by the USAID in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land. (SFFAS 6) (Chapter 629)

latest acquisition cost

Includes all amounts, except interest, paid to a vendor to acquire an item. (SFFAS 3) (Chapter 629)

leasehold improvements

Leasehold improvements include, but are not limited to, the cost of acquiring and installing new ceilings, permanent walls, lighting, carpeting, air conditioning, and safety and protective devices with a useful life longer than two years, and additions and betterments to buildings and other facilities. (Chapter 629)

moving average

An inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. (SFFAS 3) (Chapter 629)

non-expendable property

Property such as furniture, office machines, Automated Data Processing (ADP) equipment, and communications equipment that is (1) complete in itself; (2) does not lose its identity or become a component part of another item when used; and (3) is of a durable nature with anticipated useful life of over two years. (Chapters 534 and 629)

operating materials and supplies

Operating materials and supplies consist of tangible personal property to be consumed in normal operations. Examples are computer paper and general office supplies for operating materials and supplies held for use and tents,

blankets, cots, and contraceptive materials for operating materials held for future use. (SFFAS 3) (Chapter 629)

personal property

Personal Property includes such items as vehicles, furniture, equipment, supplies, appliances, and machinery. It refers to all property not otherwise classified as land, land improvement, buildings, and structures that are normally referred to as real property. (Chapters 534 and 629)

property, plant, and equipment (PP&E)

PP&E are tangible assets, including land, land rights, capital leases, and property owned by USAID in the hands of others, that

- a) Have an estimated useful life of two or more years,
- b) Are not intended for sale in the ordinary course of business, and
- c) Are intended to be used or available for use by us. (Chapter 629)

real property

Real property is land and all appurtenances to land, such as buildings, capital improvements subsequent to building acquisition, utility systems, leasehold improvements, and other structures and facilities. (Chapter 629)

recognize

Recognize means to record an amount in entity accounts and to report a dollar amount on the face of the Statement of Net Costs or the Balance Sheet either individually or so that the amounts are aggregated with related amounts. (SFFAS 6) (Chapter 629)

replacement property

Replacement property is any personal property for which there is a continuing need on a worldwide basis by the parent agency, such as office furniture and equipment; household furniture, furnishings, and equipment; motor vehicles and automotive spare parts; tires; and any other property having a continued general use. The proceeds of sale of replacement property are used to purchase similar property. (Chapters 534 and 629)

standard cost

Predetermined expected unit costs, which are acceptable for financial reporting purposes if adjusted periodically to reflect actual results. (SFFAS 3) (Chapter 629)

useful life

Useful life is the normal operating life of the asset in terms of utility to the owner. (SFFAS 10) (Chapter 629)

weighted-average

A periodic inventory costing method where ending inventory and cost of goods sold are priced at the weighted-average cost of all items available for sale.
(SFFAS 3) (Chapter 629)

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